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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

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E.O. 11652: N/A

TAGS: EAGR, ETRD

SUBJECT: DATA ON BRAZIL SOLUBLE COFFEE INDUSTRY

REF: BRASILIA 7495; STATE 211638

1. FOLLOWING IS RIO DE JANEIRO 2846 OF APRIL 30, 1970.
BRAZILIAN SOLUBLE COFFEE INDUSTRY INFORMATION REQUESTED
REFTEL FOLLOWS. UNLESS OTHERWISE NOTED, PRODUCTION FIG-
URES ARE ANNUAL IN BAGS OF GREEN EQUIVALENTS. (3 GREEN
EQUALS ONE SOLUBLE)

PRODUCING COMPANIES	CAPACITY	PROCESS
DOMINIUM	500,000	SPRAY
CACIQUE	150,000	SPRAY
NESTLE	90,000	SPRAY
COMPANHIA INDUSTRIAL	82,000	SPRAY
VIGOR	60,000	SPRAY
FRUTAS SOLUVEIS (FRUSOL)	54,000	FREEZE

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TWO OTHER PLANTS, LIOBRAS AND LIOTECNICA, EACH WITH
CAPACITY FOR 12,000, ARE NOT PRODUCING. OF FOUR NEW

PLANTS AUTHORIZED BY GOB FOR TOTAL ADDITIONAL CAPACITY 910,000, ONLY TWO ARE UNDER CONSTRUCTION. FUTURE OF ALL FOUR APPARENTLY IN DOUBT. IN ADDITION GOB HAS AUTHORIZED

EXPANSION OF EXISTING PLANT AS FOLLOWS: DOUBLE VIGOR AND CACIQUE PRODUCTION AND INCREASE FRUSOL TO 150,000 AND NESTLE TO 200,000. GOB DOUBTS ALL AUTHORIZED EXPANSION WILL BE REALIZED.

TOTAL 1969 PRODUCTION AND VALUE FIGURES UNAVAILABLE BUT EMBASSY THINKS SOLUBLE EXPORT FIGURES APPROXIMATE PRODUCTION SINCE DOMESTIC MARKET SMALL. EXPORTS AS FOLLOWS: 922,917 VALUED AT US\$32,948,000.

LATEST OWNERSHIP DATA CACIQUE CONTROLLED BY BRAZILIAN DIRECTORS AND 500 PLUS SHAREHOLDERS: DOMINIUM BRAZILIAN-OWNED BUT TEMPORARILY CONTROLLED BY GOB WHICH TOOK OVER FROM FORMER BANKRUPT DIRECTORS: FRUSOL CONTROLLED (60 PERCENT) BY COCA-COLA: VIGOR BRAZILIAN INDUSTRIAL BRAZILIAN: AND NESTLE FOREIGN. ROUGH BREAKDOWN OWNERSHIP TOTAL BRAZILIAN SOLUBLE INDUSTRY THEN AS FOLLOWS: 86 PERCENT OWNED BY PRIVATE BRAZILIAN, 53 PERCENT TOTAL INDUSTRY CONTROLLED BY GOB, AND 14 PERCENT FOREIGN-OWNED.

AS REPORTED IN (SIC) BETWEEN NCR\$70 AND NCR\$90 PER BAG OF GREEN COFFEE INPUT LAST DECEMBER. PRICE CURRENTLY REPORTED TO BE NCR\$110. REFAIR ALSO INCLUDES PRODUCTION COST BREAKDOWN SUPPLIED BY NESTLE OFFICIAL INDICATING THAT COMPANY WOULD LOSE NCR\$102 PER 100 KILOS IF SOLD TO US WITH INPUT COST OF NCR\$80 PER BAG.

COMMENT: SOLUBLE INDUSTRY'S OFT REPEATED CLAIM THEY LOSING MONEY AS RESULT OF TAX RECENTLY RECEIVED PARTIAL SUPPORT FROM MINFINANCE DELFIM NETO WHO TOLD SECRETARY STANS HE HAD PERSONALLY REVIEWED ONE COMPANY'S BOOKS AND FOUND "TREMENDOUS" DECLINE IN PROFITS: HE DID NOT SAY FIRM WAS LOSING MONEY. EMBASSY BELIEVES BEST INDICATION CURRENT PROFITABILITY SOLUBLE INDUSTRY IS CACIQUE'S YEAR END BALANCE SHEET AND REPORT TO STOCKHOLDERS.
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ACCORDING THIS REPORT, CACIQUE PRODUCED 8 MILLION KILOS OF SOLUBLE IN 1969, MORE THAN DOUBLE 1968 PRODUCTION, EXPORTS TOTALED 7,651,561 KILOS OF SOLUBLE VALUED AT NCR\$59,526,184. PROFITS LISTED AS NCR\$13,964,767. REPORT SAYS 50 PERCENT OF EXPORTS WENT TO US. LIKELY THAT VERY SMALL PERCENTAGE US SALES WERE SUBJECT TO TAX. EMBASSY ESTIMATES THAT PROFITS COULD HAVE DROPPED BY ONE-THIRD IF TOTAL SHIPMENTS TO US HAD BEEN SUBJECT TO TAX.

SOLUBLE PRICES IN US AND LONDON NOT AVAILABLE. ELBRICK

2. FOLLOWING IS STATE 63429 OF APRIL 28, 1970, TO WHICH
RIO DE JANEIRO 2846 RESPONDED.

IN PREPARATION CONGRESSIONAL CONSIDERATION INTERNATIONAL
COFFEE AGREEMENT IMPLEMENTING LEGISLATION AND BILATERAL
CONSULTATIONS WITH BRAZIL, EMBASSY REQUESTED PROVIDE
FOLLOWING INFORMATION RE BRAZILIAN SOLUBLE COFFEE IN-
DUSTRY.

A. NUMBER AND NAMES OF FACTORIES.

B. PRODUCTION CAPACITY EACH FACTORY.

C. 1969 PRODUCTION BY VOLUME AND VALUE.

D. TYPE OF SOLUBLE PRODUCED, I.E. SPRAY OR FREEZE
DRY.

E. OWNERSHIP - PERCENT BY GOVERNMENT, PRIVATE
BRAZILIAN, FOREIGN.

F. PRICE PAID FOR GREEN COFFEE.

G. PRICE RECEIVED FOR SOLUBLE IN UNITED STATES,
LONDON.

H. AVAILABLE INFORMATION ON PROFITABILITY OF
OPERATION UNDER PRESENT COST FACTORS.

EMBASSY REQUESTED TO UP-DATE INFORMATION ON CONTINUING
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BASIS AS CHANGES OCCUR. ROGERS.

3. THE COUNCIL OF THE ICO MEETS AGAIN IN LATE SEPTEMBER.
DEPARTMENT THEREFORE NEEDS INFORMATION BY SEPTEMBER 21
IN ORDER TO PREPARE US DEL FOR MEETING. ROBINSON

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